



Fact Sheet:



Drug Medi-Cal Direct Contracts

Fiscal Year 2000-01 Direct Contract

The Department currently contracts directly with thirteen (13) Drug Medi-Cal (DMC) providers in nine (9) counties (Alameda, Butte, Imperial, Lake, Orange, San Diego, San Luis Obispo, Stanislaus, and Sutter/Yuba). Over \$8.2 million is allocated to these direct contracts.

Authority

As a result of the class action lawsuit, ***Sobky v. Smoley***, on August 22, 1994, an **Order for Permanent Injunction** was filed that mandated the State to implement specific court orders related to DMC services.

Prior to the lawsuit, counties could decide which providers would be certified to participate in DMC and the maximum amount of their funding. As a result of the litigation, any provider may now apply for certification and, if it meets the standards, may bill DMC services for eligible beneficiaries, and also determine the number of beneficiaries it wishes to serve. Counties retain their roles as administrators of all DMC services, but they are now required to contract with all certified providers who wish to bill DMC. If a county decides to not administer the DMC Program in its county, the State must contract directly with certified providers within the county. The State retains all or part of the county's State General Fund (SGF) DMC to contract directly with the private providers. The Department's administrative cost is also

charged against a county's SGF DMC allocation.

While the Department prefers that the County maintain its administrative role in DMC services, the State is prepared to accept the direct contract responsibility whenever necessary.

Direct Contract Process

Immediately upon learning of the need for a direct contract, the State contacts the provider and requests a proposed budget for the time period needed. Most direct contracts are for the entire fiscal year; however, for newly certified providers, the contract date is the date of certification through the end of the fiscal year. This allows counties that wish to initiate a contract with providers directly contracting with the State to have an opportunity to retransition the contracts at one point in the fiscal year.

Contract budgets are reviewed for accuracy and appropriateness and, if approved, forwarded to the Department's Contract Unit for processing. The contract is then sent to the provider for review and sign off and returned to the Department. A copy of the fully executed contract is mailed to the provider and claims against the contract can then be processed for payment.